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NPTA MANAGEMENT NEWS JANUARY 1985

MN

Paper Distribution Goes to College

Mr. John P. Kennedy
SRI Acquisitions Editor
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4520 East-West Highway
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*

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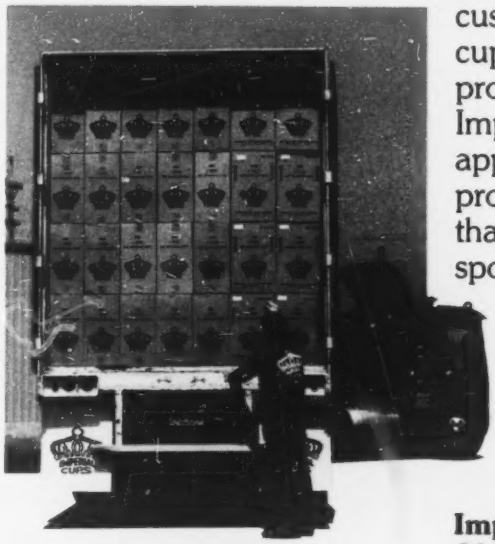

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Editor
William H. Frohlich
Contributing Editors
John J. Buckley, Jr.
John S. LaRosa
Richard J. Lerman
Bruce H. Linden
Editorial Assistants
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CONTENTS

Paper merchant students in class at Miami University of Ohio.

Cover Photo
Paul Schult

FEATURES

12 **Paper Distribution Goes to College**

NPTA bridges the gap between industry and academia with two unique university programs for paper distributors. Highlights and background on the new and challenging "Management Development Program" and "Printech Week" are explored. These two intense training programs created by NPTA unite the university setting with the need for specialized education in a short period of time.

20 **PCs: Winds of Change: Part II**

by Dr. Roger K. Harvey

The question continues—has the time arrived to buy a microcomputer for your paper distribution business? In Part II of his article, Dr. Harvey discusses the decision-making process in terms of the PC's management applications. By use of facts and figures, Dr. Harvey provides insight into finding the calm in the eye of the computer storm.

DEPARTMENTS

4 **Industry News**

8 **Merchant Briefings**

10 **Management Information**

18 **Washington Watch**

19 **Manager's Notebook**

24 **Events**

25 **Paper Merchant Sales Report**

FOUR DISTRIBUTORS RECEIVE MEMBERSHIP IN NPTA

The following companies have received membership in NPTA. All officers, directors and staff wish them much success in 1985.

Katzke Paper Company
2495 S. Delaware Street
Denver, CO 80223
Clarence G. Katzke, President
established: 1948
location: 1
type: industrial

Northwest Wholesale Supply Company
P.O. Box 41
Eau Claire, WI 54702
George E. Orendorff, President
established: 1929
location: 1
type: industrial

Paper Sales Inc.
151 N. Rock Island
Wichita, KS 67202
Frank D. Hamrick, President
established: 1983
location: 1
type: industrial

G.A. Rinn Paper Co., Inc.
1101 N. Plymouth Street
Allentown, PA 18001
Robert E. Kline, President
established: 1922
location: 1
type: printing

APPLETON RESTRUCTURES ORGANIZATION

"The company's healthy growth and favorable outlook calls for a restructured executive staff to better guide us through the extensive progress that we project for Appleton Papers." That, according to company chairman Thomas W. Busch, is what is necessary to provide greater flexibility in planning the corporate direction.

Appleton Papers is in the midst of the greatest expansion and modernization in the company's history. The projects currently in progress total approximately $170 million.

John W. Turner, senior vice president of marketing for Appleton has become president. Dale H. Schumaker has been made executive vice president. Prior to that appointment, he was senior vice president of manufacturing. Both Turner and Schumaker will report to Busch.

With annual sales approaching $500 million, "the business demands the utmost executive attention to assure continued growth," said Busch. The reorganization has promoted Daniel W. McIntosh, director of sales, to vice president of marketing and sales.

Lawrence J. Casey, manager of the Locks Mill, has become vice president of manufacturing. McIntosh is now reporting to the president and Casey reports to the executive vice president.

"Appleton Papers is in the midst of the greatest period of expansion and modernization in the company's history," Busch said. "The projects currently in progress total approximately $170 million." The company employs 3,250 people and is a subsidiary of BATUS, Inc., Louisville, KY—the holding and management firm that has the US business interests of B.A.T. Industries p.l.c. of London, England.

API ELECTS NEW OFFICERS

Albert F. Duval, chairman and CEO of Hammermill Paper Co., has been elected chairman of API's board of directors. Roger W. Stone, chairman and CEO of Stone Container Corp., was elected vice chairman.

Duval succeeds Edwin A. Gee, chairman and CEO of International Paper.

MILL MERCHANT SALES ARE SEEN AS MOST PROFITABLE

Paper distribution activities were portrayed as a "stable stream of earnings in an industry when profits are cyclical." This, appearing in the October, 1984 First Boston Research *Paper and Paperboard Market Intelligence*, showed that mill-owned paper merchants are often the most profitable part of the manufacturing company's business.

"Inventory turnover and returns on identifiable assets for some merchants are quite good. In fact, for Great Northern Nekoosa, Mead and Boise Cascade, the return from distribution were the highest of all other divisions including primary paper manufacturing during the last three years.

Inventory turnover and returns on identifiable assets for some merchants are good.

Moreover, these profits have been quite stable, not having the variability of other more cyclical operations such as wood products or primary paper production," the report concluded.

The *Paper and Paperboard Market Intelligence* monthly is available from First Boston Research. For more information, contact William M. Wigder at 212-909-3150.

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PEOPLE IN THE NEWS

Robert J. Keating was named industrial sales manager for Copco Paper's Columbus and Toledo Divisions. **Spencer K. White** was appointed vice president and general manager of the company's Charleston Division. **William E. Voisard** was named corporate inventory and purchasing manager. **James R. Boling** has become vice president and general manager of Copco's Lansing Division, and **Robert E. Hill** was promoted to vice president of corporate industrial marketing. **Kirk Buckham** has become the company's vice president-marketing information products.

Jerry Radosti was promoted to vice president of sales for Advance Paper Company of New Orleans and **Lenny Raymond** was named general sales manager.

Ronald Schulman was appointed sales manager for Africa and the Far East for Tradeway International Corporation in New York.

Ward A. Packard was named assistant to the president of WWF Paper Corporation in Bala Cynwyd, PA. **Mark A. Cocciardi** has become chief operating officer of Major Paper Converters of Clifton, NJ, a subsidiary of WWF.

H. David Hartstein, president of Smith-Scharff of St. Louis, passed away in October, 1984.

Bill A. West, general manager of Blake, Moffitt & Towne's Tucson Division, has retired after 48 years with the company. He was succeeded by **Ted E. Patterson** who was promoted from sales manager of the operation.

John P. Garfinkel was named division vice president and business manager of Crown Zellerbach.

James M. Piette was appointed executive vice president-primary products for Union Camp. **John D. Munford** was named executive vice president and remains general manager of the Fine Paper Division. **Jerry H. Ballengee** was appointed vice president and general manager of the company's Kraft Paper and Board Division. **W.S.D. Woods, Jr.** was named vice president and assistant to the president, and **William B. Howes** was appointed senior vice president but will remain general manager of the Container Division.

H. Thomas Reed was named vice president-marketing for the Paperboard Products Division of Mead.

Robert F. Meyer was appointed executive vice president for the Hammermill Papers Group. **Ronald A. Faster** has become the vice president of sales for the company and **Warren R. Omark** has retired.

Jacquelyn Fiocca of Fort Howard was honored by National Paper & Packaging of Cleveland as "1984 Mill Person of the Year."

FARGO PAPER EXPANDS GRAND FORKS DIVISION

The Fargo Paper facility in Grand Forks, ND has been expanded to provide 12,000 sq. ft. of high cube, one-floor warehouse space and increased office facilities. The company has maintained a branch in that city for 23 years with a staff of eight sales, office and warehouse personnel. Additionally, the firm has honored the Grand Forks branch manager who has had 25 years of service with the company. Fargo is a dual distributor headquartered in Fargo, ND.

NEW REPORT AVAILABLE ON DISPOSABLES

The outlook for the tissue sector is generally favorable for 1984 and 1985 according to a Wall Street investment firm. However, 1986 may be a difficult year due to excess capacity. This detailed report examines the industry by sector: bathroom tissues, paper towels, facial tissues, paper napkins, disposable diapers and feminine care products. Company comments are given for Fort Howard Paper, Kimberly-Clark and Scott Paper. Tissue capacity, production and operating rates are projected through 1986.

The report, titled "Tissue Products, Disposables Diapers and Feminine Care Products," is available from FIND/SVP, 500 Fifth Avenue, New York, NY 10110 at $375.

KERR DISTRIBUTING FINDS A "MOOVELOUS" APPROACH

A warehouse equipment clean-up auction turned up a few interesting and unusual items. Kerr Distributing in Amarillo, Texas reported that they hired an expert to help them reorganize their warehouse space, and as a result had many items that were put on the auction block.

As they amassed items of the auction, Kerr invited employees and local dealers to add anything they wanted to sell. In came a Jersey bull along with dirt bikes, a mobile home, and more. This was all added to the conveyor belts, old shelves and broken pallets for sale. Everything went in one day in true Texas style.

...In came a Jersey bull along with dirt bikes, a mobile home, and more...

CENTURY PAPERS REPORTS HEALTHY QUARTER

For the quarter ended September 30, 1984, Century Papers of Houston, TX reported sales of $20.9 million and earnings of $165,000. This represented a 12.3% increase in sales over the same period a year ago and a 37.5% increase in earnings.

"We are extremely pleased to have eight operating divisions ahead of last year's earning's pace and this year's plan," said Herschel G. Maltz, president and chief executive officer of Century.

The Paper And Plastics Education Research Foundation...

...Invites Your Support

The Paper And Plastics Education Research (PAPER) Foundation was created because there is a perceived need to have merchants and mills work together to study, understand and respond to changes, trends and developments in the distribution of paper, plastics and allied products.

The PAPER Foundation will work primarily on two levels; research projects developed and funded through regular Foundation activities, and research projects developed and funded through the special division of the PAPER Foundation, the Endowed Research Chair of Paper Wholesaling at the University of North Florida.

The PAPER Foundation Endowed Chair at the University of North Florida

There are several advantages of an Endowed Chair concept for conducting research.

1

Top quality academicians can be attracted to conduct research. They bring years of experience, background and knowledge with them.

2

The resources of a university (reference libraries, computerization, graduate assistants, pooled academic knowledge, etc.) can be harnessed for a project.

3

All of the above mentioned resources can be used at a cost much less than the cost structure of professional consultants.

4

A one-time payment to set up the Chair creates an ongoing income stream. This breaks the cycle of meaningful projects in search of funding. It will allow a majority of research time on the part of sponsoring organizations to be spent on managing the research and not fund raising.

5

A regular stream of income will also allow for better planning of the effort. The Foundation can take on projects based on its regular budget.

An opportunity to participate in the future of your industry.

Your tax-deductible contributions are welcomed.

PRINTING PAPER

PRINTERS SURVEYED ON PAPER SITUATION

A series of three Special Reports reflecting industry views on the 1984 paper supply/demand situation, on inventories and inventory planning, plus qualitative assessments of the current paper stocks, has been issued by the National Association of Printers and Lithographers. The series is based on over 1,000 returns to a recent "Let's Get the FACTS" survey conducted by the NAPL in cooperation with *American Printer* magazine.

A three-part approach—including heavy reliance on charting—was adopted because the data developed by the poll were so voluminous. Part 1, the current Report, analyzes the data according to respondents' specialty; Part 2, in production when this release was being written, reflects the data from the standpoint of respondents' size; Part 3, now in preparation, reviews the influence of locale on respondents' paper situation.

Part 1 indicates that, overall, late May paper inventories were unchanged from those of December '83 for about 42% of respondents, larger for 37% and smaller for 20%. Among forms manufacturers and advertising printers, as many respondents had increased inventories as those who had kept to late '83 levels, while for magazine printers 47% had increased inventories, 34% had not and 19% reported lower inventories. At midyear, paper inventories in terms of *median* working days were reported as follows: commercial printers and quick printers, 20; advertising printers, 24; forms and book printers, 30; and magazine printers, 45.

The three-part series was published at $45 by NAPL, but is available through a special arrangement with NPTA at $30—over 30% off the published price. Contact the NPTA Communications Department to place an order.

NEW HIGH-TECH GUIDE FOR QUICK PRINTERS

Printing Industries of America (PIA), in conjunction with American Quick Printing Association (AQPA) and Inter-Consult, has formulated a report that addresses new technology services for the quick print industry.

The report is a comprehensive view of current and future high-tech services. It not only serves as a reference guide with tutorials, but also is a strategic planning guide with recommended action steps for the single-shop quick print owner faced with implementing current and future technology.

Prior to February 1, 1985, the publication is offered to PIA members for $45.00 and to non-members for $60.00. After this date, the report will be available to PIA members for $55.00 and to non-members for $75.00

For more information, contact John Lancaster, Printing Industries of America, 1730 North Lynn Street, Arlington, VA 22209, (703) 841-8177.

NAPM REPORTS ON PAPER SITUATION

The National Association of Purchasing Management (NAPM) reported on paper demand in its November, 1984 issue of *Insight*. The organization stated that publication grade paper demand continued strong. Users apparently reduced inventories as the year drew to a close.

Coated Papers. The long-term outlook for No. 5 and No. 4 coated groundwood papers was seen as good due to the mills' future commitment in these areas. Demand was still strong for these grades. C1S was readily available according to the purchasing managers.

Uncoated Free Sheet. Demand continued to soften. Purchasing people saw this market remaining soft as new paper machines were brought on-line.

GPO CHANGES PAPER TRIMMING REQUIREMENTS

On November 1, the Government Printing Office (GPO) dropped its requirements that paper suppliers furnish only guillotine-trimmed paper. High-speed precision trimmers have replaced the

PRINTING INDUSTRY ORDER BACKLOG COMPARISONS

	Comparison First Day of 4th Quarter 1984 to Last 6 Months and to All-Time High — Average Backlog in Days				1984 versus 1983 Historical Comparison — Backlog on October 1, 1984 versus October 1, 1983		
INDUSTRY GROUP	APRIL 1	JULY 1	OCT. 1	Record High§	MORE	SAME	LESS
All Groups*	15.3	14.7	18.0	18.0	35%	50%	15%
Sheetfed	13.4	11.3	14.5	17.3	35%	53%	12%
Heatset Web	28.8	29.1	33.6	35.0	38%	52%	10%
Nonheatset Web	16.1	17.5	16.8	22.8	25%	45%	30%
Business Forms	15.2	12.1	9.7	19.9	27%	43%	30%
Quick Printers†	3.4	2.1	4.7	5.0	36%	33%	31%

§ *Highest reported backlog 1980 - 3rd Quarter 1984.*
* *Excluding Quick Printers.*
† *Information for companies that produce business forms as a secondary (not primary) product.*
Source: *The National Association of Printers and Lithographers.*

guillotine cutters in newer and updated mills and are capable of holding even tighter sheet size tolerances than the older ones. Because of the old requirements these up-to-date mills were losing out in the competition for GPO business.

Results from the change are already apparent. According to the GPO, despite its inherently higher freight cost, a west coast mill outfitted with high speed precision trimmers has been able to underbid an east coast guillotine-equipped mill by 2 percent, almost a penny a pound less in this specific case.

CONGRESS PASSES BILL TO REGULATE PRINTERS

The Government Affairs Department of Printing Industries of America (PIA) reports that Congress has passed a major hazardous waste disposal bill that will regulate an estimated 10-15,000 printing firms and supplier industries in the U.S. This bill amends the Solid Waste Disposal Act/Resource Conservation and Recovery Act of 1976. It is officially called the "Hazardous Waste Control and Enforcement Act of 1983."

According to Margaret Rogers, director of Federal Programs for PIA, the PIA Government Affairs Department worked on several provisions of the bill. These include the underground storage tank provision, the hazardous waste disposal prohibition provision, and the small quantity generator provision.

This last section is of greatest interest to printers. It lowers the federal regulatory exemption from 2,200 lbs. or more of hazardous waste per month to 220 lbs. per month. "PIA is pleased to have taken a lead role in the development of the small quantity generator provision. We believe it is administratively and economically feasible, as well as environmentally responsible," said Rogers.

The original version of the bill included unnecessarily stringent requirements that could have affected over two million small businesses. But, according to Rogers, PIA Government Affairs talked to hundreds of Congress members to urge their support of an industry-environmentalists compromise, and in the face of political pressures, the PIA prevailed.

The Environmental Protection Agency (EPA) is required by the bill to issue regulations by March 31, 1986. This will require printers to identify and track their hazardous waste for disposal with a manifest form. The printers will be required to dispose of their hazardous waste in an EPA-approved hazardous waste disposal facility.

Hazardous wastes are defined by the EPA as discarded materials that pose a threat to human health, safety, property or the environment. The wastes which are regulated hazardous under RCRA are those that are ignitable, reactive, corrosive or toxic. Printing hazardous wastes include waste solvents, certain waste inks and ink sludge.

INDUSTRIAL PAPER

SURVEY GIVES TRUCK DRIVERS EDGE IN SAFETY

The results of a national public opinion poll conducted by the Washington office of Market Facts, Inc., gave the trucking industry high marks as an economic catalyst. They also rated truck drivers safer than other motorists.

The findings nearly mirror the results of a 1981 survey in which two out of three people gave the safety edge to truck drivers.

The latest national survey of licensed drivers found trucking more important to the economy than either railroads or airlines by a two-to-one margin. Over half believe truck drivers have a better safety record than automobile drivers.

The poll was based on the responses of 1,000 drivers from across the nation and 18 years old and over. Some of the key findings were:

- Three-quarters of the public believe that trucking is "very important" to the overall health of the economy.
- 69% agree that truck drivers are generally more courteous than auto drivers.
- 64% view truck drivers as more willing to help in an emergency than other motorists.
- 28% fear driving alongside trucks on the highway more than alongside cars.

NAPM REPORTS ON INDUSTRIAL PAPER SITUATION

The National Association of Purchasing Management's *Insight* newsletter reported the paper situation from their point of view last November. For industrial paper, they stated the following:

Paperboard. The demand for lightweight SBS paperboard remained stronger than demand for the heavier weights. Recycled paperboard was readily available. Linerboard costs have jumped.

Kraft. Northern natural MF and MG papers demand was lower. Southern natural kraft MF papers for wrapping, bags and sacks produced on the same machines used to make linerboard, were kept busy swinging production from grade to grade.

CLEANING GUIDE TEXT AVAILABLE

The Soap and Detergent Association has designed a new manual, *Programmed Cleaning Guide*, to assist environmental sanitation organizations with their monumental maintenance responsibilities.

The guide contains 190 pages and is soft-cover bound in a handy 5¼" x 8" size. The unique appendix includes carpet, floor and laundry stain removal charts, warewashing problems and solutions, and cleaning equipment "how-to's."

For more information contact Industrial & Institutional Div., Dept. PC6, The Soap and Detergent Association, 475 Park Ave. South, New York, NY 10010, (212) 725-1262.

NPTA'S NEW QUARTERLY REPORT

Many members have expressed concern over the six month delay each year of receiving their PARs (Performance Analysis Reports). To address this issue NPTA mailed a survey to members in May and July, 1984 to determine interest in a new quarterly report that would track company performance more frequently.

Approximately 180 companies responded and 77% were in favor of such a report. Based on this positive response, NPTA *will* introduce the report, beginning with the first quarter of 1985. Participants would start reporting in early April, upon completion of the January 1-March 31 period.

Following are the key features of the "QBCR" (Quarterly Business Conditions Report):

- Information submitted remains confidential. Each firm receives an identification code and company names do not appear on completed forms.
- To avoid possible confusion, the "QBCR" reporting form will be different in format and color from the current pink Paper Merchant Sales Report form.
- The report will be produced in-house at NPTA, once the Association's computer system is fully operational.
- Classification of data will be by region, printing, industrial and dual merchant. Your firm's data is compared to your NPTA region and a U.S. average.

The "QBCR" will be a simple, easily-digested report that tracks ten most crucial financial measures relevant to a paper merchant. (see Table I). It will not replace the PAR report, but simply address the demand for more timely information. The "QBCR" also differs from the Paper Merchant Sales Report in that it will provide data concerning profitability, inventory turnover and average order sizes.

Adjoining are samples of the proposed quarterly reporting form (Table I) and the report to be sent to participating members (Table II). Unlike the monthly Sales Report, **only survey participants will receive the "QBCR."**

For more information about the new report, please contact the research director at (516) 829-3070.

Table I: Member Report

QUARTERLY BUSINESS CONDITIONS REPORT

Period: (1st quarter 1985)
Type Merchant: (Printing, Industrial, Dual)

	Your Firm	Your NPTA Region	U.S. Average	Year-to-Date
Percent Sales Increase (%)				
Warehouse Gross Trading Margin (%)				
Direct Gross Trading Margin (%)				
Total Operating Expenses As % Gross Profit (%)				
Pre-tax Profit As % Net Sales (%)				
Inventory Turnover (X)				
"Turn & Earn" Index				
Receivables Turnover (Days)				
Days Payable				
Average Order Size ($)				

Table II: Reporting Form

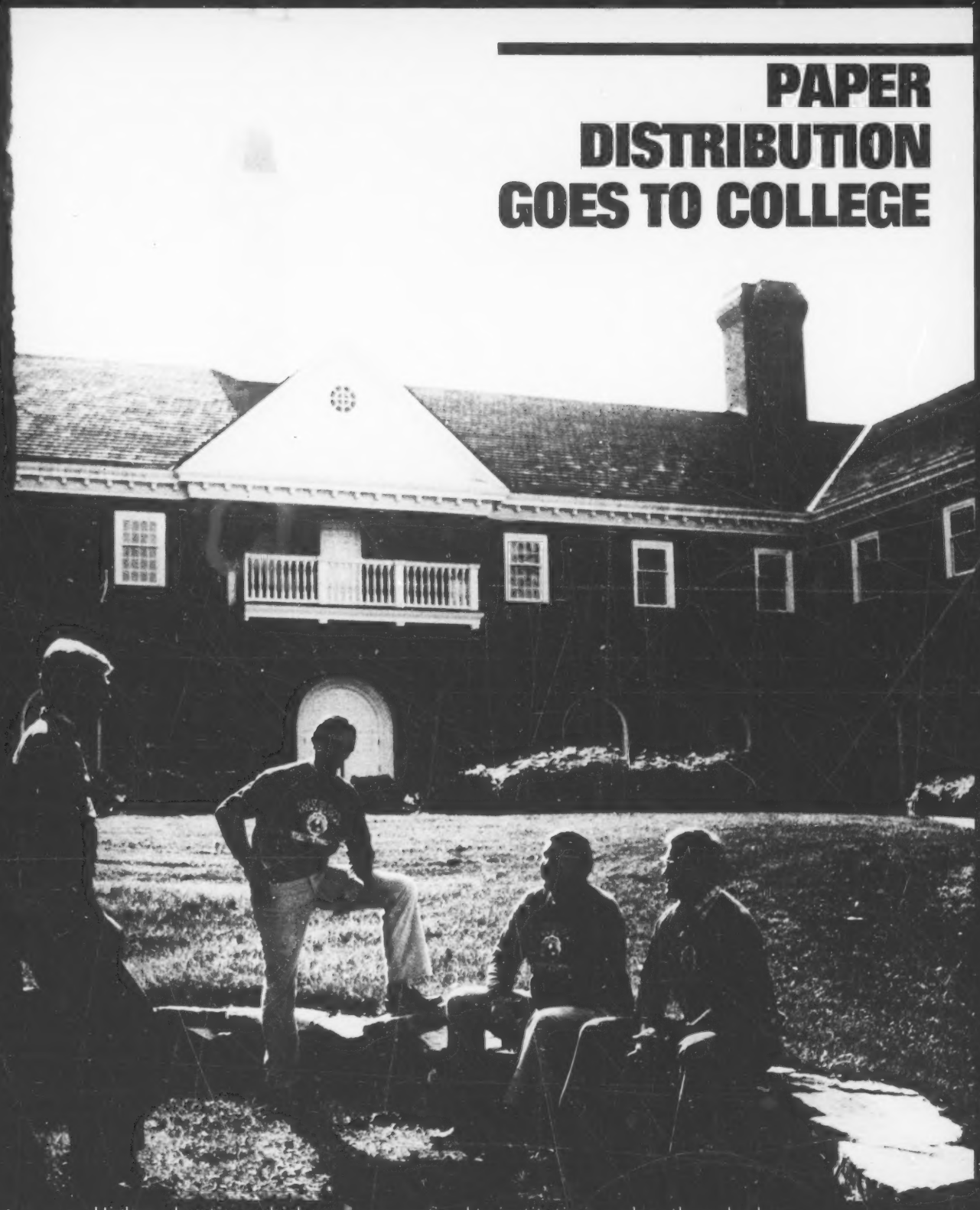
QUARTERLY BUSINESS CONDITIONS CONFIDENTIAL MONTHLY REPORT

For the Period _____

I.D. Code _____

		Industrial Papers		Printing Papers	
		1st Qtr. 1985	1st Qtr. 1984	1st Qtr. 1985	1st Qtr. 1984
Sales (Cumul. 3 mos.)					
Warehouse	(1)	$	$	$	$
Direct	(2)	$	$	$	$
Cost of Goods Sold (Cumul. 3 mos.)					
Warehouse	(3)	$	$	$	$
Direct	(4)	$	$	$	$
Gross Profit (Cumul. 3 mos.)					
Warehouse	(5)	$	$	$	$
Direct	(6)	$	$	$	$
Net Profit Before Taxes (Cumul. 3 mos.)	(7)	$	$	$	$
Total Operating Expenses (Cumul. 3 mos.)	(8)	$	$	$	$
Inventory (FIFO)					
Beginning of Quarter	(9)	$	$	$	$
End of Quarter	(10)	$	$	$	$
Total Quarter Closing Acct. & Notes Rec.	(11)	$	$	$	$
Total Quarter Closing Acct. & Notes Pay.	(12)	$	$	$	$
No. of Warehouse Orders (Cumul. 3 mos.)	(13)	#	#	#	#

PAPER DISTRIBUTION GOES TO COLLEGE



Coming full cycle . . .

Higher education, which once was confined to institutions such as these, broke out of them in the 1960s and 70s into specialized training handled on-site at paper merchant houses. Now in the 1980s, the value of university-based programs is once again coming to the forefront. NPTA has worked closely with two major institutions of higher learning to create a new brand of education for the paper trade. It is a unique blend of academia and business . . . and is *not* for everyone.

EDUCATION

PAPER DISTRIBUTION GOES TO

Intensive. If there is one word that describes a university-based industry training program, that is it. Paper distribution people do not have time for lengthy courses of study.

Realizing this, NPTA crafted two important university programs that are unique in the industry: one in management, the other sales-related. One involves theory and practice, the other is technical in nature. Both have been designed for paper distribution industry people by industry people.

The "Paper Distribution Management Development Program" was created in cooperation with Miami University of Ohio. "Printech Week" utilized the expertise of the education and technical staff at Rochester Institute of Technology in Rochester, NY. These programs create a bridge between the university setting and the need for specialized training in a short time period.

The marriage of industry and academia is new and challenging for paper people. It gives them more than specialized training; it provides concentrated time away from phones and customers. The special setting promotes sharing of experiences among participants and the future networking ideas.

Miami University of Ohio is the beautiful setting of the NPTA Management Development Program.

The branch manager of a paper distribution chain walked into a college classroom and sat down. It had been many years since the last time he had done that and he was a bit nervous. Other students, also industry managers, were beginning to fill the room. There was an air of anticipation.

The chatter abruptly stopped as the professor entered the lecture hall. Everyone was all ears.

What is it about the college environment that is different from a seminar at a hotel or sales meeting at a company? The participants may be the same ones who attend other meetings, but a college course is different. It may be the intensity.

The paper distribution industry has never had a college-based course of study geared to the needs of branch and middle managers. Until now, that is. Working with Miami University of Ohio, the National Paper Trade Association created a specialized program designed to meet the educational needs of industry managers. And that program was launched with 25 participants at the end of October.

Background

The need for a college-based program became evident to NPTA as it analyzed the growth of the paper distribution industry. Paper distributor operations have grown in both size and sophistication. Member presidents approached NPTA with the idea of creating a "Paper Distribution Management Development Program" to help their branch and middle level managers improve their management abilities and keep up with the latest techniques.

A special committee of the Association's board of directors, led by former NPTA president John F. Church, Jr., investigated the possibility of developing such a program. A survey of member interest was conducted in order to pin-down specific topics to be covered and suitable university settings were explored.

A proposal was made to the board in the Spring of 1984 that would establish a Management Development Program at Miami University of Ohio in Oxford. Once accepted, the NPTA staff, the college faculty and the special committee fine-tuned the curriculum and set dates for the course.

"A program such as this is a necessary part of our industry," said John F. Church, Jr. "We want our managers to be more effective and to grow in their jobs. A university-based program of intensive study and field work is just the right mix for our industry."

COLLEGE

Program Structure

"The right mix" is a program of instruction that combines lectures, case studies and group interaction with an individualized marketing project. The Management Development Program accomplishes this by holding a one-week course at the University followed by a project to be worked on at home over the next six months. At the end of that time, the students return to the college for another week of study.

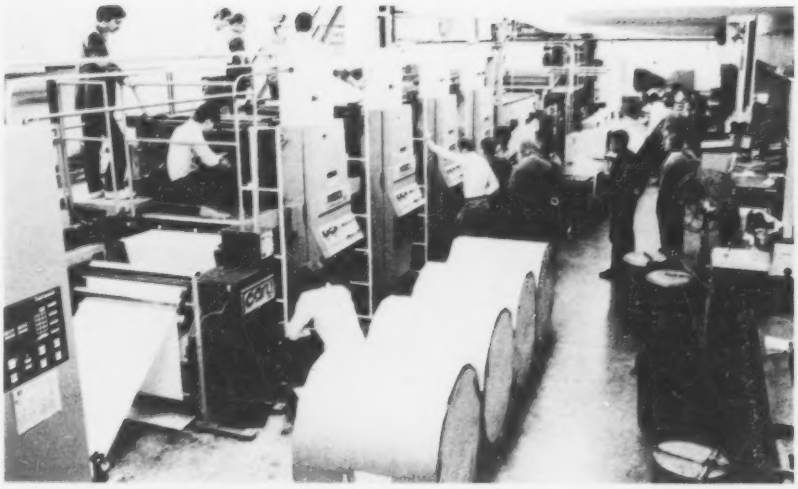
Week One of the Management Development Program focuses on "developing the organization." This is followed by the marketing project. Students spend 20-25 hours of work on a marketing project where they apply what they have learned to their own company situations during the next six months that follow Week One.

Week Two study at the University gives students new perspectives on "management development" itself. The cost of the entire program is currently $1850 which includes tuition, room and board at the Marcum Center at Miami University of Ohio.

Curriculum

The program has a healthy curriculum that encompasses all of the important aspects of management development (see curriculum outline). The total program includes approximately 100 hours of study: Week One - 40 hours (includes evening classes); marketing project - 20 hours; Week Two - 40 hours (includes evening classes). "The curriculum is designed to be a complete program of instruction for branch managers and middle level managers in our industry," stated John J. Buckley, Jr., NPTA president. "To make the program as complete and effective as possible, we are now taking the experiences of the first group through the program and are adjusting and fine-tuning the course of study. By the time we offer this program again in the Spring, we feel that the curriculum will truly be on-target for paper merchant managers. The program will *always* be fine-tuned so that we will be sure that we continue to serve the needs of our industry," Buckley said.

Participants in the first Management Development Program held October 28 - November 2, 1984, numbered 25. The companies represented an even split of printing, industrial and dual firms and most attending were branch managers (see list of participants). Approximately half of all companies represented at the first session sent two people, the others one.



Paper merchants work together on RIT's web press during Printech Week.

"The first program attracted people with experience in the industry," said Bruce H. Linden, NPTA director of education and training. "The program is really designed for those managers who want and need a formal review of both the theory and practice of running a paper merchant operation." He went on to say that "the program covers its subjects in-depth and so requires a management commitment to personnel development."

Richard Vandegrift, the coordinator of NPTA's Management Development Program at Miami of Ohio, worked closely with the first group through. "I was very impressed with the participants in this first program from the paper distribution industry. These are dedicated people," he said. "Prior to launching the Management Development Program, the folks from NPTA and I visited member merchants and I was very taken with the highly competitive nature of the industry. And for companies to compete successfully, management development is a must. One mission of our university is to provide this kind of specialized program."

The Program Continues

Week Two for the first group is scheduled for May 5-10, 1985 at Miami of Ohio. During that same week, another session will begin for other interested industry managers. Their second week will be held approximately six months later, November 10-15, 1985, when a new group will start its first week of study. Those wishing to reserve a place in the 1985 Program should use the enclosed card. Return it to NPTA as soon as possible. Registration is limited to 25 people.

PAPER DISTRIBUTION MANAGEMENT DEVELOPMENT PROGRAM PARTICIPANTS

Paul C. Carney
Vice Pres. - Gen. Manager
Alling & Cory
Syracuse, NY

Stanley S. Ellson
Division Manager
Alling & Cory
Buffalo, NY

Howard Adcock
Branch Operations Manager
Brame Specialty Co. Inc.
Durham, NC

Dennis Filkoski
Vice President & General Manager
Butler Paper Company
Denver, CO

Don E. Dial
Indio Branch Manager
Carr Paper Company
Pomona, CA

J. Mike Lease
El Centro Branch Manager
Carr Paper Company
Pomona, CA

Greg Donahue
General Manager
Dixon Paper Co.
Phoenix, AZ

Rich Henley
Manager
Dixon Paper Co.
Colorado Springs, CO

Maurice Smith
General Manager
Dixon Paper Co.
Boise, Idaho

Peter Tomasini
Vice President of Sales
The Dowd Co., Inc.
Woburn, MA

Jeffrey Kirchmer
General Manager
General Paper Co.
Pittsburgh, PA

James E. Bliler
Sales Manager
S. Bend/Hammond Branch
Inlander-Steindler Paper Company
Elk Grove Village, IL

Wayne Laniuk
Branch Manager
Inter City Papers Limited
Winnipeg, Manitoba

Edward Klaskow
Sales Service & Purchasing
JB Papers Inc.
Union, NJ

Ron Esper
Vice President
Morris Paper Company
Pittsburgh, PA

Jeffrey Epstein
Operations/Production Manager
National Paper & Packaging Co.
Cleveland, OH

Jeffrey H. Grover
Territory Representative
National Paper & Packaging Co.
Cleveland, OH

Terry Payne
Manager
Nationwide Papers
Detroit, MI

Phil Christensen
Sales
The Ohio and Michigan Paper Co.
Toledo, OH

Alan Leininger
Executive Vice President
The Ohio and Michigan Paper Co.
Toledo, OH

Bill Cook
Sales Manager
Ropak of Texas -
Div. of Hammermill
Dallas, TX

Bill Callahan
Sales Manager
Rourke-Eno Paper Company, Inc.
Hartford, CT

Jerry L. Maratea
Industrial Sales Manager
Rourke-Eno Paper Company, Inc.
Worcester, MA

Robert A. Fening, Jr.
Executive Vice President
Southern Paper Co.
Lexington, KY

Steven F. Ohrman
General Manager
Supplyways Inc.
Portland, OR

Robert C. Breedlove
Branch General Manager -
Orlando
Unijax, Inc.
Orlando, FL

Management Development Program Class at Miami University.

NPTA MANAGEMENT DEVELOPMENT PROGRAM CURRICULUM

Day I

Strategic Management of the Paper Wholesaler

- Time orientations of the manager
- Basic progression in managing for the future
- Strategic planning model
  - survival considerations
  - mission/purpose
  - long range objectives
  - supporting resources and strategies
  - short range objectives
  - strategies, structure, resources
- Obtaining subordinate commitment
- Assuring results for the strategic plan

Day II

The Scope of Marketing Management

- Marketing and selling - are they the same?
- The marketing task
- Strategic marketing - responding to market dynamics

Understanding the Industrial Buying Process

- The purchasing process
- Multiple buying influences
- Buying situations
- Marketing strategy developed on the basis of the buying process

Market Analysis - External

- Evaluating the environment
- Analyzing competitive activities
- Estimating market potential
- Information requirements

Day III

Market Analysis - Internal

- The marketing productivity audit
- Evaluating company image and service performance
- Analyzing market segments
- Analysis of results: market share, profitability by product, customer and territory

Developing Marketing Strategy

- Information base
- Elements of market strategy
- The marketing plan
- Implementation of the marketing plan

Day IV

Profitability Analysis

- Understanding paper merchant financial statements
- Measuring operating and financial performance
  - operating profitability (DuPont analysis of return on total assets—ROTA)
  - operating profitability vs. return on investment

Use of Performance Measures

- Evaluation and analysis of a firm's secular performance
- Comparative analysis of two or more firms' performance
- Comparison of firm and industry performance measures (PAR)
- Use of performance measurement tools in establishing operational and financial objectives for the firm
- Cost-volume-profit analysis

Day V

Credits and Collections

- Accounts receivable in the paper merchant industry
- Developing a credit policy
- Purpose and use of statistical records
- Credit control indicies
- Collection control indicies
- Credit analysis
  - non-financial factors
  - use of financial techniques

Future Technological Trends in the Paper Industry

- Raw materials
- Pulping process
- Paper-making processes
- Finishing processes
- Converting processes

Impact of Technological Trends on Product Characteristics and Quality

Day VI

The Work of the Manager

- Roles and responsibilities
- Managerial skills: conceptual, human, technical
- The nature and processes of management
- Developing your philosophy of managing
- Personal qualities of the effective manager

Effective Leadership Styles and Practices

- The nature of leadership
- Leadership styles and systems
- Understanding the situational factors that affect leadership
- Assessing your own styles and flexibility

Day VII

The Management of Time

- Lifetime considerations
- The culture of time in the organization
- Personal and organizational time values
- Expectations and time use
- Avoiding "time wasters"
- Disciplined use of time

Individual Productivity

- Productivity imperatives
- Role of work in productivity
  - understanding expectations
  - dialogue on expectations
  - follow-through on commitment
- Work fit
  - original/continuing
- Work environment
  - supervisory leadership
  - company bureaucracy
  - the dissatisfiers
- Individual motivation
  - personal values and needs
  - life cycle motivation
  - blips in the cycle

Day VIII

Interpersonal & Organizational Communication

- Developing an awareness of the basic concepts of interpersonal communication in the organization
- Understanding six key propositions in perception and human behavior
- Understanding the components of a manager's "communication competence": listening, accuracy/semantics, openness, empathy, versatility

Managing Interpersonal Relationships

- Developing an awareness of two key dimensions of behavior: assertiveness & responsiveness
- Understanding a manager's observable social style
- Understanding back-up styles: behavior under stress
- Personalized feedback of participants' own social style
- Building versatility based on social style

Day IX

Performance Improvement Through Employee Development

- The responsibilities of management in developing employees
- Identifying development targets and formulating development plans: tools and techniques
- Obsolescence and stagnation

Evaluating Performance

- Evaluation systems and methods
- Errors in evaluation

The Performance Appraisal Interview

- Purpose and problem areas
- Preparing for the interview
- Practicing your appraisal interviewing skills and techniques
- Guidelines for performance appraisal interview
- Coaching and counseling employees on the job

Day X

Creating A Climate for Achievement

- Managing the psychological contract
- Securing high performance and employee commitment
- Elements of positive work climates
- Managing your organization's climate

Building A Winning Team

- The components of a successful team
- Techniques to strengthen your team
- Managing group processes
- Developing your team into an integral part of the total organization

NPTA HOLDS FIRST PRINTECH WEEK AT RIT

A University-based curriculum such as the Management Development Program is new for NPTA, but it is fast-becoming an important service to the paper distribution industry. The Association's affiliation with Rochester Institute of Technology is now giving printing paper merchant sales people and their managers a valuable training program in graphic arts technology. Printech Week is providing a needed piece of merchant sales education.

Printech Week brings the merchant sales person into the realm of his customer's business. Being able to understand graphic arts processes is clearly a necessity for those who sell printing paper. Printech teaches that the successful sales person is *not* an order-taker, but a specialist in the paper that feeds his customers' machines. Increased knowledge translates into increased sales.

The NPTA Printing Paper Division Committee worked closely with the Research and Technical Center at Rochester Institute of Technology to create a curriculum tailored to the needs of the paper merchant industry.

NPTA selected Rochester Institute of Technology because of its excellent facilities and highly qualified staff. RIT is well respected in the graphic arts community and the staff is very responsive to the needs of paper merchants. RIT has every type of graphic arts equipment in full operation for the Printech program.

Printech Week was held at the RIT's School of Printing. The school occupies more than 125,000 square feet of classrooms, libraries and 25 fully-equipped laboratories. The participants had access to computerized typesetting systems, process cameras, color scanners, proofing systems, facilities for making plates for all the major printing processes, a modern bindery lab, ink and paper testing labs, and one- and four-color presses for lithography, flexography, gravure, screen printing, and a full web printing operation.

The first Printech Week class was held November 12-16, 1984 and was attended by 23 sales people and sales managers from Seattle to Miami. Opening remarks were given by Alling and Cory Chairman Richard M. Harris, Jr. The group spent over 40 hours together in the classes and laboratories concentrating on the processes that put ink on paper (see curriculum listing).

As a result of the first Printech program, two others have been scheduled for 1985. The NPTA Printing Paper Division Committee and the RIT staff are in the process of refining the program. Printech Week gives many an opportunity to increase their knowledge of printing processes and sell more paper. The 1985 Printech programs will be the best yet and NPTA has more information for those who are interested.

Printech Week Curriculum
(1984 Program)

Mon. Nov. 12	
8:30 - 9:00	Introduction & Registration
9:00 - 9:45	Keynote Paper Speaker: Richard M. Harris, Jr.
9:45 - 10:00	break
10:00 - 12:00	Reproduction Photography
12:00 - 1:00	lunch
1:00 - 3:00	Inks and Blankets
3:00 - 3:15	break
3:15 - 5:15	Color Scanning
Tue. Nov. 13	
8:30 - 10:00	Offset Lithographic Platemaking
10:00 - 10:15	break
10:15 - 11:15	Color Principles
11:15 - 12:30	lunch - Clark Dining Room
12:30 - 2:15	Color Principles (cont'd.)
2:15 - 3:30	Flexography
3:30 - 3:45	break
3:45 - 5:00	The Sheetfed Offset Press
7:00 - 9:00	Sheetfed Offset Lab
Wed. Nov. 14	
8:30 - 11:15	The Web Offset Press
11:15 - 12:30	lunch - Clark Dining Room
12:30 - 2:30	Non-Impact Printing
2:30 - 2:45	break
2:45 - 4:00	Paper Considerations for Non-Impact Printing
7:00 - 9:00	Paper Selling for Web Offset
Thu. Nov. 15	
8:30 - 9:45	Screen Printing
9:45 - 10:00	break
10:00 - 11:15	Gravure Printing
11:15 - 12:30	lunch - Clark Dining Room
12:30 - 4:30	Web Offset Paper Panel
6:00 - 7:00	Cocktails - Poolside - Rochester Hilton
7:00	Dinner - Packet Room - Rochster Hilton
Fri. Nov. 16	
8:30 - 9:30	Panel Discussion: Future printing methods
9:30 - 9:45	break
9:45 - 12:00	Review & Roundtable
12:00 - 12:15	Wrap Up

PRINTECH WEEK PARTICIPANTS

David Delorey
Sales Representative
Carter/Rice
West Haven, CT

Robert McDonald
Sales Representative
Carter/Rice
Boston, MA

Craig Roberts
Vice President
Commerce Paper Company
Toledo, OH

Tim McNew
Cordage of Dayton
Dayton, OH

Ivan Vaghely
Marketing Manager
Domtar Fine Paper Merchants
Montreal, Quebec

Terry Burke
Graphic Papers
Toronto, Ontario

Robert Schmidt
Vice President
Gummed Paper
Chicago, IL

Colin Moorman
Inter-City Papers
Mississauga, Ontario

Harry Olander
Killhour Commercial Paper Co.
Philadelphia, PA

John E. Reesor
L & E Paper Ltd.
Barrie, Ontario

Russell DuFour
Lauzier Little
LaSalle, Quebec

James P. Nevins
Senior Sales Representative
Leslie Paper Company
Lenexa, KS

John Olson
Sales
Leslie Paper Company
Minneapolis, MN

Warren Storck
General Manager
Matthias Paper Company
Yeadon, PA

Charles Smith
Midwestern Paper Company
Des Moines, IA

Ken Ritchie
Sales Manager
Mohawk Paper Company
Cohoes, NY

Brian Sagula
Area Manager
Nashua
Elk Grove Village, IL

Jack Luker
Nationwide Papers
Springfield, MO

Vern Field
Russell-Field Paper Company
Bellwood, IL

Michael Englert
Seneca Paper Company
Buffalo, NY

Dick Powell
V.P./General Sales Manager
W.H. Smith Paper Corporation
Albany, NY

Carlos Ortega
Printing Paper Sales
Unijax, Inc.
Miami, FL

Mike McKibbon
Salesman
West Coast Paper Company
Seattle, WA

Participants at the Printech Week Program at Rochester Institute of Technology.

WASHINGTON WATCH

TRUCK SAFETY LEGISLATION

What was left out of the Motor Carrier Safety Act of 1984, passed in Congress' waning hours last month, is more important to wholesaler-distributors than what was *left in*. Specifically, as a result of NAW lobbying and grassroots support, the legislation does *not* contain burdensome *intrastate* Bureau of Motor Carrier Safety (BMCS) regulations originally designed for long-haul over-the-road vehicles.

Had the regulations remained in the bill, wholesaler-distributors would have been forced to abide by BMCS rules regarding daily logs, driver age (21) and qualifications, physicals, daily safety inspections and other time-consuming, paperwork-generating requirements. The intrastate regs would have applied to a wholesaler-distributor transporting products to in-state end-users outside the wholesaler-distributor's commercial exempt zones. NAW's success in having the regs deleted, however, means that our industry need not be concerned with the proposed requirements while operating intrastate.

Instead, the Motor Carrier Safety Act of 1984 mandates a two-year Department of Transportation (DOT) study to determine what, if any, Bureau of Motor Carrier Safety regulations would improve intrastate truck safety. When the study is completed, DOT will make legislative recommendations to Congress.

At that time, NAW will be able to testify on specific recommendations rather than the suppositions contained in the original bill. In the meantime, two years' worth of tedious paperwork for thousands of wholesaler-distributors nationwide has been *avoided* by the actions of NAW and NAW members.

BLS REPORTS JOB FATALITIES DOWN IN 1983

A Bureau of Labor Statistics survey of 280,000 private sector employers found that the number of job-related fatalities declined by 25 percent in 1983, but other occupational injury and illness rates remained virtually unchanged.

Grassroots support insures legislation. Makes sense for merchants.

According to the American Paper Institute, there were 3,100 work-related deaths in 1983 in workplaces with 11 or more employees, compared with 4,090 in 1982 and 4,370 in 1981. Approximately 30 percent of the deaths resulted from motor vehicle accidents.

BLS reported that about 7.6 injuries and illnesses occurred per 100 full-time workers in 1983, compared with 7.7 in 1982. Workers lost time from work because of injury or illness in 3.4 cases per 100 workers in 1983, virtually the same as in 1982.

RETIREMENT EQUITY ACT OF 1984 BECOMES LAW

Signed into law by President Reagan on August 23, the Retirement Equity Act of 1984 amends the Employee Retirement Income Security Act of 1974 to remove what were perceived as inequities in the pension law that discriminated against women, both as workers and as spouses of workers who earn pensions.

Under the law, the maximum age which a pension plan can require a worker to obtain before participating in the plan is lowered from 25 to 21 years, and the age for vesting from 21 to 18. The law also allows an individual to leave the workforce for five consecutive years and still retain eligibility.

The law also requires payment of benefits to the spouse of a worker who was fully vested even if the worker dies before the early retirement age of 55 under ERISA. In addition, it requires the written consent of both the pension plan participant and spouse to waive the survivor annuity option, and abolishes the ERISA provision allowing pension plans to deny a widow's or widower's benefits if a spouse dies from natural causes within two years of choosing survivor benefits.

The law came into effect on December 31, 1984, for existing pension plans, except in the case of those established through collective bargaining, where the law will take effect when the specific contract pertaining to the pension expires, or January 1, 1987, whichever comes first.

PAPER MERCHANTS AND ANTITRUST LAWS

The modern paper merchant is affected by numerous federal and state laws and regulations. Tax considerations, safety, health and environmental laws, affirmative action plans—to mention just a few—are matters that frequently affect a paper merchant's judgments and decisions and the day-to-day operation of the business.

The federal antitrust laws are, in some respects, similar to other laws and regulations. They are laws which can affect business judgments, decisions and operations. Therefore, the antitrust laws should be a subject of which the paper merchant is acutely aware.

It is important for paper merchants to be aware of the legal issues involved. NPTA has among its roster of publications the *Paper Merchants' Guide to Antitrust Laws*. The primary purpose of this booklet is to create that awareness. It is not, and is not intended to be, either a detailed analysis of the antitrust laws or a substitute for competent legal counsel, nor does it attempt to deal with the antitrust laws which have been enacted by most states and are generally similar to federal law. Rather, by explaining the federal antitrust laws in general terms, it is intended to assist the paper merchant in becoming sensitive to potential antitrust problems and recognize when to seek competent legal guidance.

The *Paper Merchants' Guide to Antitrust Laws* is available from the NPTA Communications Department. Members are encouraged to buy copies for everyone on their management teams. The booklets are $1.00 each. (Minimum order is 10.)

BUSINESS LETTERS COST 6.6% MORE IN '84

The cost of dictating and transcribing the average business letter reached $8.10 in 1984, up 6.6% in one year. Why so much? Well, Dartnell (the organization that conducts the survey each year) states that salaries for the dictator were up an average of 7.2%, secretaries had 6.9% raises, materials were 5% higher, and only postage held steady. But, what is an "average" business letter? It is a letter running 185-190 words that takes eight minutes to dictate.

BUSINESS SUCCESS AND SUCCESSION

Family owned, closely-held businesses face unique problems. When contemplating the transfer of ownership, it is important to know how to go about it. NPTA has a resource that is valuable for all privately held companies: **The Strategy of Business Perpetuation**. *It reviews valuing the company, management succession, transferring ownership and contains legal tips. Written by noted wholesaling author George C. Webster, this book is a must. The publication price is $35.00, but is available for a limited time from NPTA at $24.00—over 30% off. To receive your copy, just fill our the enclosed card and mail it to NPTA.*

DON'T SCRAP THAT OLD COMPUTER!

According to the Associated Press, old computer components are being turned into gold by what may be the first high-tech junkyard. A new plant in Gloucestershire, England, has been processing discarded printed circuit boards, silicon chips and other scrapped computer components to extract the bits of gold, silver, platinum and other precious metals they contain. A ton of computer scrap can yield as much as two pounds of gold.

DO YOU EVALUATE PERFORMANCE?

That's not an easy thing to do. But performance evaluation is supposed to improve productivity, right? Well, according to a recent study, only 10% of major U.S. corporations have improved productivity through employee evaluation systems. The report also stated that 88% of all layoffs were not based on merit (or lack of it), but on seniority.

PCs: WINDS OF CHANGE

PART II: Management Control and Strategic Planning Applications

This is the second and last part of the article on PCs by Dr. Roger Harvey. If for some reason the reader missed Part I, contact **MN** *magazine for a free copy. The complete article is a useful resource for all interested in the application of PCs in their businesses.*

Moving-up Figure 2, "Management Control" decisions in a paper distribution house involve middle and top management activities that are usually found in the functional areas of sales, finance and accounting, personnel management, inventory management and purchasing, and operations management.

Management in these areas is decision focused rather than procedure focused with "exception-type" reporting of the support mechanism on a weekly or monthly basis.

Just as important, however, managers in functional areas often require special, ad hoc information to deal with "out-of-control" situations. Given the time delays associated with initiating new MIS reports, the benefits of "end-user" management computing begin to emerge with management control applications.

Management control reporting is not limited to functional areas, however; many distributors have corporate-wide control mechanisms in place such as total or partial monthly operating budgets. Budget reports focus on variances and on responsibility areas of the business—expenses, gross profit margins, branches, and sales. Ranked and sorted product-line or customer-line profitability analysis reports are other examples of management control information.

So microcomputer control applications can be found at the corporate level or in the functional areas of paper distributorships, especially in the smaller paper houses. They are definitely not limited to the functional management areas in the larger houses.

As is suggested by the right-side of Figure 2, information for management control is part of the "Decision Support System." This is a system of reports and user information generating ability that managers need to recognize and solve problems at their higher levels of responsibility.

These reports and information may or may not be provided by the EDP function. If it is performed effectively by your EDP function (in-house or outside software vendor), then potential applications for microcomputers diminish. But where control information is not being effectively provided by the EDP function or where your company is too small to underwrite an expensive MIS or budgeting system, then microcomputer "database management systems" or "spreadsheets" may offer you the support system you need.

Even in large organizations with sophisticated MIS's, periodic control reports may be provided but a manager's ability to generate his own reports or to satisfy specific information requirements has been slow to be provided ("you'll have to wait six months until a programmer can get to it") or non-existent ("our outside dp vendor would charge too much for such a special program"). In many small organizations the capability of generating owner/manager designed reports outside of those provided by a retail software accounting package is non-existent.

If this is the case in your company, then a microcomputer plus your time in learning how to use a software package or two, can provide you with the capability of building your own decision support system.

Managers often find they have responsibility for a functional area of the business but not the informational system to control. A microcomputer-based decision support system which you build yourself can often provide the "exception" reports or the ad hoc information generating capability you need to be a more effective manager.

Perhaps you need non-accounting information to control your area of responsibility. Non-accounting databases in a paper distribution company might be built for personnel rosters, salesperson call data, customer mailing lists, customer profiles or activity statistics, or telemarketing tracking.

A microcomputer with "database management" or "file management" software can provide you with your own "local" data gathering, manipulation and report generating capability.

Database management system programs are comparable to an electronic filing cabinet. Data are entered through the database management software onto the microcomputers' diskettes or hard disk in a common format; the data then can be sorted, calculated, selected, retrieved, and summarized in user-defined reports. Data can be retrieved for on-line inquiry as well as electronically searched and selectively retrieved. Records can be updated on-line without regard to where and how the data will be stored.

Microcomputer "database management" software products such as DBASE III and the PFS series receive high marks for enabling managers to build their own information support systems based on non-accounting data as well as accounting data.

Potential "electronic spreadsheets" software products such as Lotus 1-2-3 also start to appear as management control applications.

By Dr. Roger K. Harvey
Value, Inc.

Electronic spreadsheets consist of row and column tables applied to a microcomputer's memory grid, some of the rows and columns have values while others have mathematical expressions (e.g. Row 3 is 10% of Row 1). When the value or row/column location of one location is changed (e.g. Sales), then the electronic spreadsheet program will change all the row/column subtotals and totals as well as the value of any row/column location that mathematically depends upon the changed value.

If you find yourself making the same calculations every week or every month (performance ratios, commission extensions, product line or customer line profitability reports, inventory or purchase activity measures, sales or gross profit trend analysis, etc.), then you should consider a microcomputer with electronic spreadsheet software. The reports generated from these repetitive calculations may be presented in tabular or graphical form; many electronic spreadsheets offer presentation graphics as an alternative to presenting data in tabular form.

If your company doesn't have a comprehensive budgeting system but you wish to control selected segments of your business (e.g. branches, product lines, special inventory lines, retail stores or counter activity, salespeople), you will find spreadsheet software tailor-made for the job. Electronic spreadsheet budgets can even be set up as "flexible budgets" where varying budget items can be driven by sales and easily changed when sales for the period are different from those originally forecasted.

Microcomputer spreadsheet software is also useful for product-line and customer-line turn-and-earn analysis. The columns are the turn-and-earn dimension of the analysis and the rows are your major product lines. When the calculations are complete, the results can be selected to produce exception-type reports.

The major drawback of microcomputer management control applications is data entry. Managers frequently find that large amounts of data have to be entered weekly or monthly. The data is also often keyed-in from computer printouts generated by the EDP department.

The question raised by a manager in this situation is "why can't I plug my micro into the mainframe or minicomputer and download the necessary data into my microcomputer database management program or spreadsheet software?".

The answer to this question is that it's a "high risk," although "high return," microcomputer application. If you identify an application in your functional area that requires large amounts of data from the corporate mainframe or minicomputer, enter it with your own staff. If this isn't feasible, then delay implementing the application until networks, operating systems and mainframe/minicomputer database management systems can support such applications.

While seeking applications in the management control area, remember Personal Business Computer Law #2: initially, stick to "high return-low risk" applications. The Law's Corollary #1 is equally pertinent: choose applications with a high ratio of thinking to typing, relatively small amounts of data and an opportunity to make non-routine judgments while using the computer.

Strategic Planning Applications

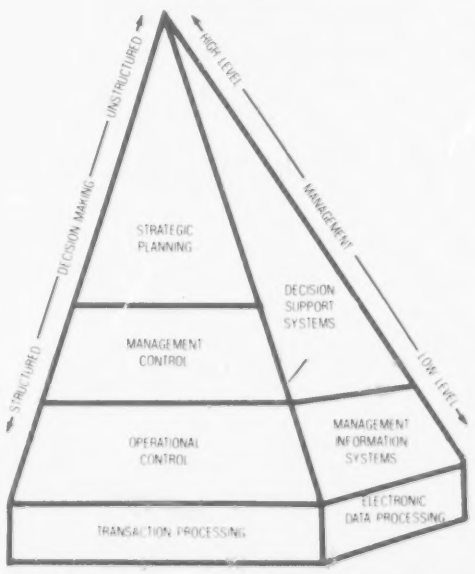
We have reached the top of the pyramid in Figure 2. This segment is the biggest in potential microcomputer applications. All the decisions and activities within strategic planning are top managements' responsibility.

Activities in this area include planning long-term financial objectives, evaluating marketing strategies, new customers and new product lines, and analyzing capital investments, branch expansions, acquisitions, and differing mixes of debts and equities.

Information requirements for top management often need to be ad hoc, flexible, and adaptable to

FIGURE 2

THE DECISION SUPPORT SYSTEM AS A PYRAMID



individual management styles. In contrast to "transaction processing," strategic planning activities don't occur daily or weekly; often they occur only occasionally or "as needed." Transaction processing follows rigid reporting formats—ledgers, income statements, balance sheets, sorted reports by salesperson or product line; therefore, data manipulation and reporting formats for strategic planning must be flexible and adaptable to fit the problem under review.

Information requirements in this segment of the pyramid are dictated by managers' decision styles and not by generally accepted accounting principles or audit trials. Top managers must be able to specify the necessary information for strategic decisions and receive them within a short response time.

What better way to do this then give top management a decision support tool and let them shape the information they need? In fact, applications in this area fall within the corollaries of Personal Business Microcomputing Law #2: a high ratio of thinking to typing, relatively small amounts of data and an opportunity to make non-routine judgments while using the computer.

A "high return" application in the strategic planning area is microcomputer-based financial planning or cash flow projections. Financial planning involves projecting proforma income statements and balance sheets into the future.

The planning period is usually three to five years annually or quarterly. The purpose of financial planning is, first, to see where your company is going (in terms of sales, profitability, asset management, debt/equity mix, and cash flow) and, second, to see what would happen if different directions were taken—in sales, gross profit, expense control, inventory policies, customer mix, credit and collection policies, etc.

Three classes of software are available for microcomputer-based financial planning: (1) "high level" financial planning languages such as Execucon's IFPS, (2) electronic spreadsheet programs such as Lotus 1-2-3, and (3) tailor-made software programs such as Value Inc.'s PLAN III.

"High level" languages are English-like language systems that allow you to express relationships using terms commonly associated with financial forecasting.

The advantage of such planning languages is their versatility; they can be used to represent complex relationships in your distribution business (e.g., complicated depreciation patterns, complex tax provisions, and unique forecasting logics) and produce custom reports beyond the standard projected income statements, balance sheets, and statement of changes in financial position. In fact, the languages can be used to express and solve problems in cash budgeting, capital investment analyzing, financial analyzing, as well as represent a variety of problems in sales or operations.

A high level language's power to express almost any business application, including financial planning, is at the same time an advantage and a disadvantage.

The disadvantage is you are dealing with a computer language: you must first learn the language and then relate it to your business problem. Although the programming language is English-like, it still has its own rules and syntax and a computer program must be written before using it.

The second alternative for microcomputer-based financial planning is to use one of the electronic spreadsheet programs on the market. Spreadsheet programs allow you to define your financial plan in columns (years of quarters) and rows (accounts on your financial statements), and then define forecasting patterns and logical relationships in those rows and columns.

Electronic spreadsheets also offer you a high degree of versatility; not only can you do long-term financial planning but also short-term cash budgeting, capital investment analyzing, and financial analyzing. The same spreadsheet program can be used for all management control applications—finance and accounting functions as well as sales, personnel management and operations.

There are a few disadvantages to using an electronic spreadsheet for financial planning. One disadvantage is the necessity of learning how to manipulate the spreadsheet itself, a process akin to programming, then actually having to build a financial model of your business. The building process involves defining an account chart for your forecasted financial statements, defining the logical relationships between and among accounts, and then expressing your forecasting logic in terms of rows and columns. You also have to define the types of reports you want but you can "program" almost any unique report you want into the spreadsheet.

The spreadsheet building process is a one-time process; in subsequent years you see the same spreadsheet while updating only the data. There is still a time investment up-front in learning and developing the "model"—a time and skill investment that you may not be able to make.

Other disadvantages involve some of the special nuances of financial planning and vary among the different spreadsheets available: it can be difficult or impossible to simultaneously balance the balance sheet and find interest on the amount needed to balance, to consolidate individual branch financial plans into an overall corporate plan, and to build-in "what if" menu prompts rather than have to go directly into the spreadsheet to make changes.

A final alternative for microcomputer financial planning is to use specially designed pre-programmed software. This alternative may be a "template" for an electronic spreadsheet program (e.g. a Lotus 1-2-3 template) or it may be a free standing program that does only financial planning (e.g. Value, Inc.'s PLAN III program).

The major advantage of this alternative is that you don't have to devote learning time or programming skills to the tool itself. You input your data and begin your initial financial plan and "what if" capability. All the relationships of proforma income statements and balance sheets are built into the template; all the forecasting logic methods are built-in—you select from those available; and all the reports are defined and presented to you for selection from a menu.

A sample "Summary Financing Page" from Value, Inc.'s PLAN III is shown in Figure 3. The company in Figure 3 is a hypothetical distribution firm, Triple-B Paper Distributors, Inc., that was used as a case company in an NPTA seminar on computer-based financial planning.

The top part of the Summary Page in Figure 3 shows Triple-B's forecasted sales, sales growth, and profits after taxes. The middle section shows the company's debt needed to balance the balance sheet and the additional interest expense on the debt. The lower section of the page shows the company's forecasted ratios based on forecasted financial statements (not shown).

For a paper distributor, the proforma financial data in Figure 3 would be compared to NPTA-Management Foresight *PAR Survey* to formulate additional "what if" runs. PAR goals that are both reachable and realistic would be tested and set. A final plan would be determined after repeated runs through the program, and then policies and practices would be implemented to manage the newly formulated plan.

Conclusion

This article started with the question: "Has the time arrived to buy a microcomputer for your business?".

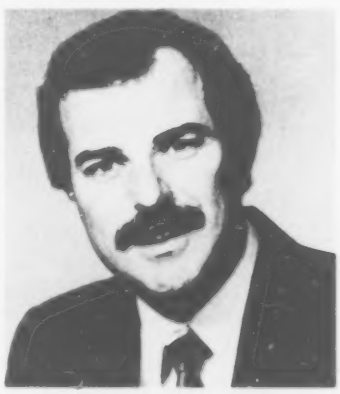
The answer to this question depends on identifying one or several "sure winner" applications in your business or area of management responsibility. This will require some learning time on your part—learning the basic capabilities of the machine and the software that runs it. After a short learning process, you'll then be prepared to fully apply the Decision Support Pyramid to your business.

You may believe that the tough questions generated by the microcomputer storm are what software programs and computer to buy. You should realize by now these really aren't the tough questions.

You will find the calm in the eye of the microcomputer storm after you've answered the applications question. The software and hardware answers flow directly from the microcomputer applications you identify within the Decision Support Pyramid and whether those applications are "high return" microcomputer applications.

The applications drive the software and hardware; if you identify an application and understand it well, then the software decision is a matter of matching what's available with your needs.

Always remember hardware is just a hunk of steel with chips on the inside; choose the hardware that will run the software that, in turn, you need to run your applications. It's only then that you will be able to harness the winds of microcomputer change.



Dr. Roger K. Harvey

Dr. Roger K. Harvey is Associate Professor of Finance, The Ohio State University, Columbus, and is also President of his own consulting firm, Value, Inc. Dr. Harvey engages in financial planning consultation and the valuation of closely-held corporations.

Figure 3

PLAN III FORECAST

TRIPLE-B PAPER DISTRIBUTORS
FINANCING SUMMARY
(thousands)

	1984	1985	1986	1987	
NET SALES	4800.0	4800.0	5040.0	5544.0	
SALES GR RATE-%		.0	5.0	10.0	PROJECTED SALES & PROFITS
PROFIT AFT TAXES	-60.0	-107.8	-162.0	-117.9	
*** FUNDS SURPLUS ***					
NONE					
*** FUNDS NEEDED ***					
S.T. DEBT*	885.0	985.2	1272.8	1682.0	
INTEREST EXP ST*	130.0	147.8	165.5	185.0	
*** NET EXTERNAL FUNDS NEEDED ***					
ADD'L FUNDS GEN		.0	.0	.0	
ADD'L FUNDS NEED		985.3	1273.7	1682.7	
NET FUNDS NEEDED		985.3	1273.7	1682.7	
*** KEY RATIOS ***					
RET ON EQUITY-%	-8.16	-17.19	-34.84	-61.93	
RET ON ASSETS-%	-2.29	-4.12	-5.91	-5.96	
PROFIT MARGIN-%	-1.25	-2.25	-3.22	-3.21	PROFITABILITY RATIOS
GR PROF MARGIN-%	27.10	26.94	26.78	26.78	
OP EXP MARGIN-%	25.44	26.17	26.65	26.65	
SALES/ASSETS-X	1.83	1.83	1.84	1.86	
AVE INV TURN-X		2.88	3.07	3.14	ASSET MANAGEMENT RATIOS
END INV TURN-X	2.77	3.00	3.00	3.00	
COLLECTION PERIOD	60.83	61.00	61.00	61.00	
FIN LEV MPL-X	3.56	4.17	5.89	10.40	
DEBT/EQ RATIO-X	2.56	3.17	4.89	9.39	CAPITAL STRUCTURE RATIOS
TIMES INT EARN-X	.40	.08	-.27	-.27	
INT EXP MARGIN-%	3.12	3.47	3.62	3.61	
CURRENT RATIO-X	1.37	1.27	1.14	1.02	
QUICK RATIO-X	.52	.52	.47	.43	LIQUIDITY RATIOS
SALES/CASH+MKT S	87.27	37.04	37.04	37.04	
DAYS PAYABLE OUT	59.59	70.00	65.00	60.00	

EVENTS

JANUARY

18. *Productive Opportunities For Paper Merchants, Los Angeles, Marriott Hotel, Los Angeles, CA. Contact NPTA.*

20-22. *Copier Industry: Winds of Change. Sheraton Royal Biscayne, Key Biscayne, FL. Contact IGC at 617-267-9425.*

25-27. *Tenth annual Graphics of the Americas Show, Miami Beach, FL. Contact Printing Industry of South Florida, Inc., 305-757-3334.*

28-31. *EXFOR '85, Pulp and Paper Equipment Show, Canada. Contact Canadian Pulp and Paper Association, 514-866-6621.*

NOVEMBER, 1984

PAPER MERCHANT SALES REPORT

NPTA Regions	Sales Per Selling Day November 1984 - Compared To - November 1983	Sales Per Selling Day November 1984 - Compared To - October 1984	Sales Per Selling Day 1984 Year-to-Date - Compared To - 1983 Year-to-Date	Days Outstanding (Accounts and Notes) At Close of November 1983	1984	Calendar Days' Cost* of Ending October Inventory 1983	1984
INDUSTRIAL							
1	+14.0	+ 5.4	− 2.1	43	44	—	—
2	+ 9.6	+ 0.0	+13.6	35	34	50	54
3	+ 9.9	+ 5.3	+16.7	37	38	59	60
4	+ 6.5	− 2.4	+12.0	35	34	51	55
5	+ 8.2	+ 2.0	+ 6.5	34	33	55	56
6	+ 3.6	+ 1.0	+11.7	32	38	—	—
7	+ 1.1	+ 8.9	− 5.4	38	41	—	52
NY Metro	+13.4	+11.6	− 1.7	45	46	—	—
Chicago Metro	+10.0	+ 6.7	+ 0.3	37	37	—	—
LA Metro	+ 9.9	+ 6.3	+10.8	46	51	50	44
US	**+ 8.3**	**+ 2.9**	**+ 7.7**	**37**	**39**	**60**	**54**
PRINTING							
1	+ 9.7	+ 9.4	+26.4	55	50	—	—
2	+ 4.1	+ 1.8	+18.1	47	46	61	60
3	+12.9	+ 0.5	+24.3	44	44	73	69
4	+15.7	+ 0.5	+18.9	44	44	67	60
5	+ 6.5	− 6.9	+16.4	44	38	70	70
6	+12.3	+ 4.4	+11.3	48	39	—	—
7	+18.0	− 6.6	+16.8	41	41	79	66
NY Metro	+10.9	+ 3.8	+27.7	44	40	—	—
Chicago Metro	+21.3	+10.3	+28.2	43	42	—	—
LA Metro	+14.4	+ 4.5	+17.1	39	44	68	75
US	**+12.0**	**+ 0.8**	**+20.3**	**45**	**43**	**59**	**66**

*To calculate monthly inventory turnover, divide 365 calendar days by # of calendar days cost, e.g., 365/73 = 5.00x.

Region 1: CT, ME, MA, NH, RI & VT
Region 2: DE, DC, MD, NJ, NY & PA (excluding NY Metro)
Region 3: AL, FL, GA, NC, SC, TN & VA
Region 4: IL, IN, KY, MI, MO, OH, WV & WI (excluding Chicago Metro)
Region 5: CO, IA, KS, MN, MT, NE, ND, SD, WY
Region 6: AK, AZ, CA, HI, ID, NV, NM, OR, UT & WA (excluding LA Metro)
Region 7: AR, LA, MS, OK & TX
NY Metro: NY: New York City, Long Island and Westchester Co. NJ: Counties of Bergen, Essex, Hudson, Middlesex, Passaic and Union
Chicago Metro: IL: City of Chicago and Cook, DuPage and Lake Cos. IN: Lake Co.
LA Metro: Cities: Los Angeles, and San Diego. Counties: Los Angeles, San Diego, Orange and Ventura (and neighboring parts of Riverside and San Bernadino)

Selling Days
The actual number of days a firm was open for business or that the sales people made customer calls [calendar days less weekends (if applicable) and holidays]. By supplying selling days of each firm, the sales per selling day are standardized according to actual business conditions or company policies.

Days Outstanding
The number of days outstanding on this report are calculated by adding the current month's sales and the previous month's sales and dividing the total by the number of calendar days of the two months. The result is a figure representing average sales per calendar day.

The total figure provided for closing accounts and notes receivable is divided by the average sales per calendar day. The result is the number of days outstanding at the end of the month being prepared.

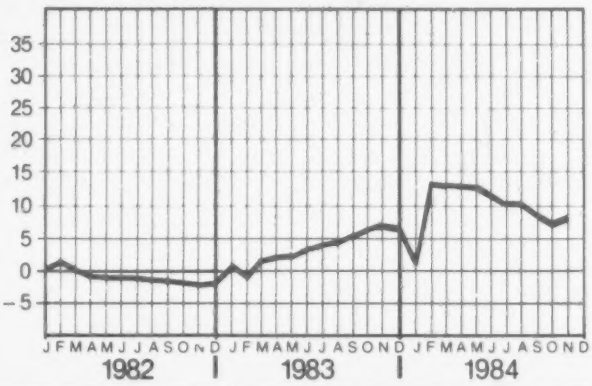
PAPER MERCHANT SALES REPORT

SUMMARY NATIONAL TREND INFORMATION: 1982 TO PRESENT

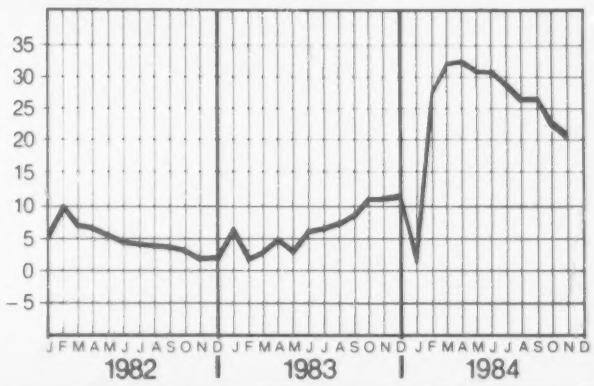
SALES INFORMATION

YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY

INDUSTRIAL PAPER SALES NATIONALLY



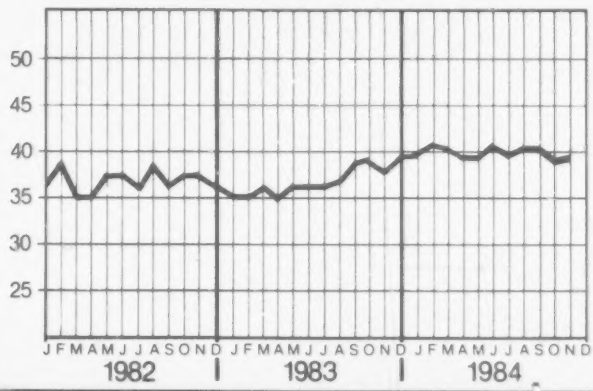
PRINTING PAPER SALES NATIONALLY



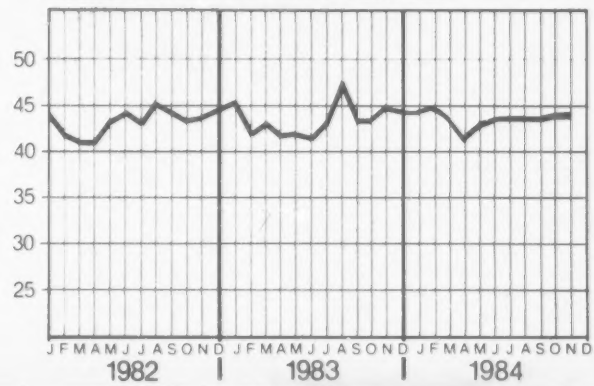
RECEIVABLES INFORMATION

DAYS OUTSTANDING—ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



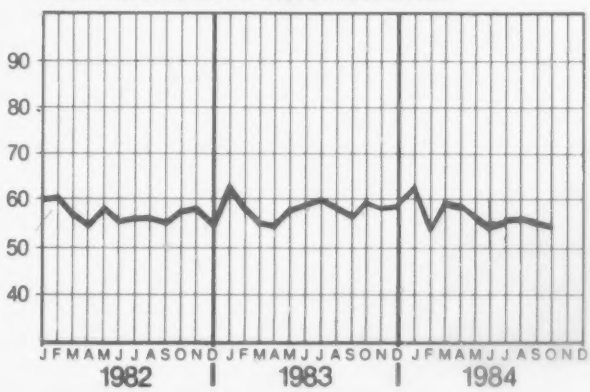
PRINTING PAPER RECEIVABLES NATIONALLY



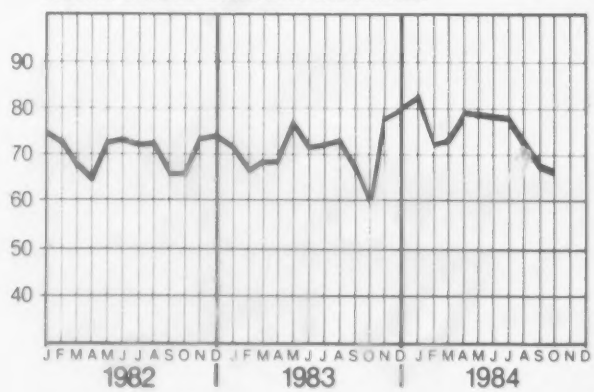
INVENTORY INFORMATION

CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

INDUSTRIAL PAPER INVENTORY NATIONALLY



PRINTING PAPER INVENTORY NATIONALLY



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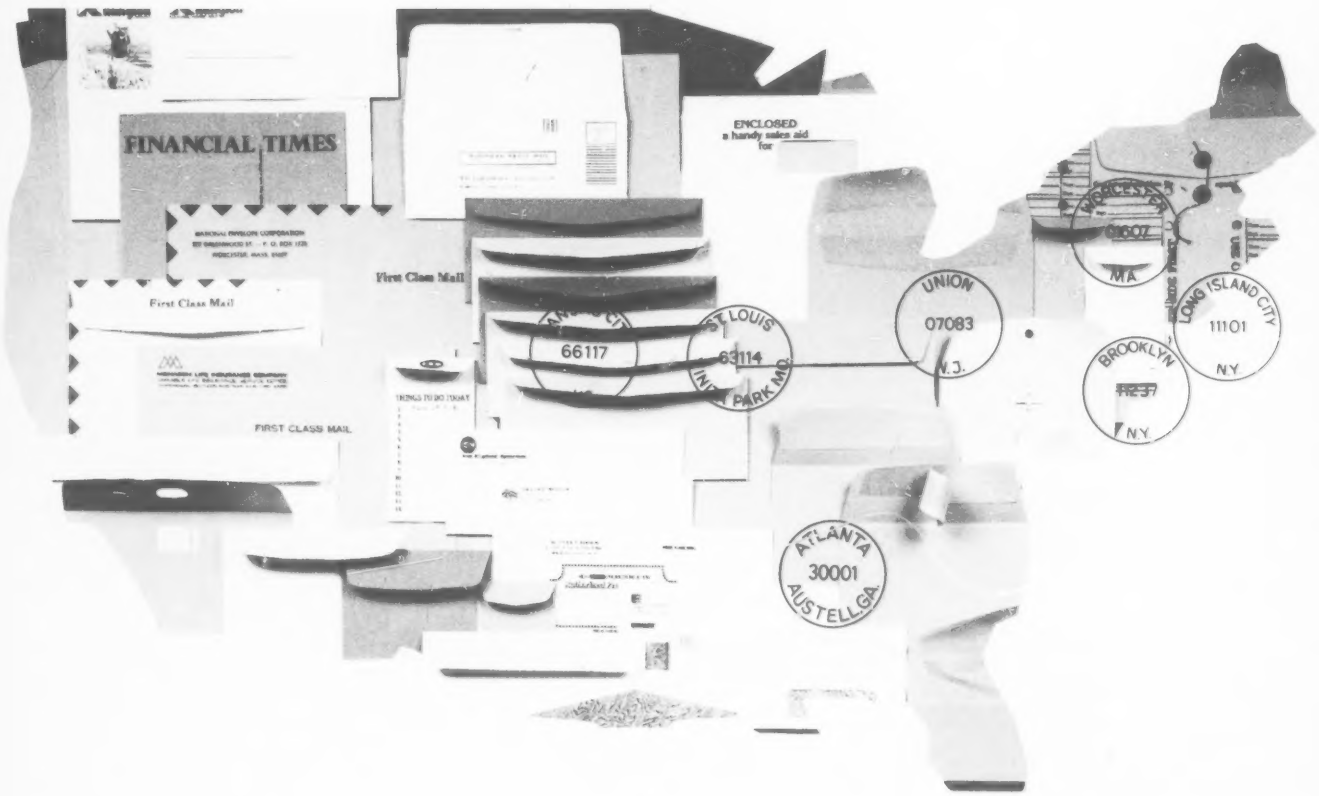

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